

Message Text

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R 172216Z FEB 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5002
INFO AMEMBASSY COPENHAGEN
AMEMBASSY LONDON
AMEMBASSY OSLO
AMEMBASSY THE HAGUE
HQUSAF WASHDC
AFPROGDC FT WORTH TX
AFCMD KIRTLAND AFB NM

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 03193

E.O. 11652: GDS
TAGS: EIND, ETRD, EAIR, BE, US, BEXP, EINV
SUBJECT: GOVERNMENT APPROVES NEW FAIREY SALVAGE PLAN

REF: BRUSSELS 1596 AND PREVIOUS

1. BEGIN SUMMARY: GOB MINISTERIAL COMMITTEE ON
FEBRUARY 13 APPROVED PLAN TO SALVAGE MILITARY SIDE OF
FAIREY BY CREATING SUCCESSOR FIRM WITH JOINT PRIVATE/
GOVERNMENT FINANCING. FUTURE OF CIVIL OPERATIONS, HOW-
EVER, IS STILL VERY MUCH IN DOUBT, WITH LARGE LAYOFFS
IN NEAR FUTURE PROBABLY INEVITABLE. WITH F-16 PRODUCTION
GOING INTO HIGH GEAR, LABOR DISTURBANCES OVER NEXT SEVERAL
MONTHS COULD HAVE IMPORTANT REPERCUSSIONS ON THE F-16
COMPENSATION PACKAGE. END SUMMARY.
2. FOLLOWING REJECTION OF EARLIER FAIREY SALVAGE PLAN
(REFTEL) AND ORDER TO RETURN TO DRAWING BOARDS, GOVERNMENT
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OFFICIALS CONCERNED WITH FAIREY DOSSIER WON MINISTERIAL
APPROVAL ON FEBRUARY 13 OF NEW PLAN TO SAVE MILITARY SIDE
OF OPERATIONS. NEW ORGANIZATION--WHICH WILL PROBABLY BE
NAMED SOBECA (SOCIETE BELGE DE CONSTRUCTION AERONAUTIQUE)--
IS TO BE A JOINT PRIVATE/STATE OPERATION. PRIVATE
ENTITIES WILL CONTRIBUTE 55 PERCENT OF NEW FIRM'S 100
MILLION BF CAPITALIZATION WITH GOB HOLDING MINORITY 45

PERCENT INTEREST IN ORDER TO AVOID, AS PM TINDEMANS PUT IT, STATE BECOMING MAJORITY PARTNER IN SECTOR DEVOTED TO ARMS SALES.

3. PRIVATE SIDE OF SOBECA WILL COMPRISE FN/HERSTAL WITH CAPITAL INVESTMENT OF 25 MILLION BF, SAI ELECTRONICS WITH 12.5 MILLION BF, SABCA (DASSAULT SUBSIDIARY) WITH 10 MILLION BF, AND NEWCOMER CARTONEX WITH 2.5 MILLION BF. STATE IS IN FOR 45 MILLION BF. SMALL INITIAL CAPITALIZATION HAS BEEN BOLSTERED BY GOB AGREEMENT TO PROVIDE 150 MILLION BF IN REIMBURSABLE LOANS TO SOBECA, 42 MILLION BF TO ITS FAIREY PREDECESSOR, AND 350 MILLION BF FROM THE NATIONAL INVESTMENT COMPANY (SNI) TO FINANCE F-16 TOOLING. IN ADDITION, SOBECA CAPITAL WILL BE FURTHER BOLSTERED BY 110 MILLION BF IN CONVERTIBLE DEBENTURES, 52.5 MILLION FROM PRIVATE SECTOR AND 57.5 MILLION FROM SNI.

4. FOREGOING DETAILS ON FINANCING INDICATE THAT ORIGINAL MINISTERIAL OBJECTION THAT PROJECT WAS UNDER-CAPITALIZED APPEAR TO HAVE BEEN OVERCOME. ADDITION OF CARTONEX TO LIST OF PRIVATE PARTICIPANTS, HOWEVER, ONLY PARTIALLY MEETS GOB'S DESIRE FOR ADDITIONAL PRIVATE PARTICIPANTS.

5. FATE OF CIVIL OPERATIONS IS MUCH LESS CLEAR. GOVERNMENT PLANS TO APPOINT AN AS YET UNNAMED DIRECTOR--DUBBED CONFIDENTIAL

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"MONSEIUR FAIREY" BY THE PRESS--TO BE IN CHARGE OF NEW FIRM, WITH ONE OF HIS MAJOR TASKS TO BE THE RECONVERSION OF EXISTING FAIREY OPERATION INTO SOBECA. IN POST-MEETING PRESS CONFERENCE, PRIME MINISTER HIGHLIGHTED WALLOON STATE SECRETARY ROBERT URBAIN'S IMMINENT TRIP TO US AS AN IMPORTANT EFFORT TO DRUM UP NEW BUSINESS FOR FAIREY CIVIL AVIATION. MINISTRY OF DEFENSE HAS BEEN ASKED TO PROVIDE ORDERS FOR THE FAIREY SUCCESSOR, WITHOUT, HOWEVER, INCURRING ANY INCREASE IN ITS BUDGETARY OUTLAYS. FINALLY, LABOR MINISTER SPITAEELS HAS BEEN APPOINTED TO HEAD AN INTER-MINISTERIAL WORK GROUP TO PROPOSE THE BEST MEANS FOR "DISENGAGING" EXCESS WORKERS.

6. COMMENT: WITH STOPGAP FINANCING ALMOST EXHAUSTED AND AGAINST BACKGROUND OF RUMBLINGS FROM CHARLEROI AREA LABOR AND PARLIAMENTARY REPRESENTATIVES, GOB TOOK WHAT WAS PROBABLY ONLY VIABLE SOLUTION LEFT OPEN TO IT. MILITARY PRODUCTION SIDE, I.E., F-16 WORK, IS NOW PRESERVED FOR AT LEAST THE TIME BEING. FAIREY'S CIVIL OPERATIONS--WHICH ARE RESPONSIBLE FOR THE COMPANY'S DIFFICULTIES IN THE FIRST PLACE--ARE UNRESOLVED AND FRANKLY GLOOMY. LAY-OFFS SEEM INEVITABLE, BARRING THE UNLIKELY EVENTUALITY

OF AN URBAIN-PRODUCED MIRACLE DURING HIS FORTHCOMING VISIT TO THE US. LAYOFFS OF SOME 400 WORKERS AS ENVISAGED BY GOB STILL LEAVES 350 CIVIL SIDE WORKERS WITH LITTLE TO DO. INDEED, SENIOR GD OFFICIALS RECENTLY TOLD EMBASSY THAT FAIREY WOULD STILL BE VASTLY OVERSTAFFED, AND COULD CUT AS MANY AS 1000 OF(TOTAL OF 1650)EMPLOYEES WITHOUT IMPAIRING ON-GOING MILITARY PROGRAMS.

7. ATTITUDE OF WORKERS REMAINS THE KEY UNCERTAINTY OF THIS SAGA, PARTICULARLY IN NEXT FEW MONTHS WHEN F-16 CONSTRUCTION PICKS UP PACE. GD HAS WARNED THE GOVERNMENT THAT IT IS PREPARED TO PULL BACK IMPORTANT SEGMENTS OF THE F-16 COMPENSATION PACKAGE IF PRODUCTION IS INTERRUPTED.

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THE WORKERS ARE REPORTEDLY AWARE OF THE DISASTROUS EFFECTS THAT SOLIDARITY IN SUPPORT OF LAID-OFF CIVIL WORKERS COULD HAVE FOR THEIR OWN LIVELIHOODS, BUT WHETHER THEY WILL HEED THESE WARNINGS IS STILL AN OPEN QUESTION. CHAMBERS

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